

9<sup>th</sup> International Conference On Opportunities  
and Challenges In **MANAGEMENT,**  
**ECONOMICS** and **ACCOUNTING**

19-21 of August 2022

Paris, France



## Individual Investors and the Financial Crisis

<sup>1</sup> Jarl Kallberg, <sup>2</sup> Crocker H. Liu, <sup>3</sup> Ran Shao & <sup>4</sup> Na Wang

<sup>1</sup> Washington State University, USA

<sup>2</sup> Cornell University, USA

<sup>3</sup> Yeshiva University, USA

<sup>4</sup> Hofstra University, USA

### Abstract

This paper studies the trading behavior of individual Chinese investors before and during the recent financial crisis. We have three major findings: (i) individual investors did not withdraw their capital from the equity market during the crisis; instead, they reduced investment more in the pre-crisis period, especially following portfolio gains; (ii) the net flow decisions were influenced by past positive returns, but not by past losses; the net flow patterns were consistent with the disposition effect, which was even stronger during the crisis; (iii) during the crisis, investors revised their portfolios to hold relatively safer and more liquid stocks, and this pattern is more evident for small investors.

**Key words:** individual investors, financial crisis, net flows, disposition effect, portfolio holdings.

JEL Classification: G01, G11, G15.